

AKFEN REAL ESTATE INVESTMENT TRUST INC.

TURKISH REPUBLIC OF NORTHERN CYPRUS (K.K.T.C.)

GAZIMAĞUSA İSKELE, BAFRA LAND

PLOT NO. 23/2/1 AND 23/4

REAL ESTATE APPRAISAL REPORT

Report No: 2014-020-GYO-003

Appraisal Date: 31.12.2014

Date of Report: 02.01.2015



REAL ESTATE CONSULTANCY AND APPRAISAL INC.



i. APPRAISAL REPORT SUMMARY

Person/Entity Requesting the Appraisal	:	Akfen Real Estate Investment Trust Inc.
Institution Preparing the Report	:	Epos Real Estate Consultancy and Appraisal Inc.
Date of Report	:	02. 01. 2015
Report No	:	2014-020-GYO-003
Appraisal Date	:	11.11.2014 - 31.12.2014
Information Concerning the Property Subject to the Appraisal	:	"Forest" quality Real Estate in K.K.T.C., district of Gazimağusa, township of İskele, village of Bafra, Plan No: 1, Section No: XVI/1, Plot No: 23/2/1 + 23/4
Subject of Study	:	Determining the current market value of the remaining "Construction Right" time, in regards to the 49 duration agreement granted to "Akfen Real Estate Investment Trust Inc." between the dates of 30.12.2010 and 29.12.2059.
Land Area of the Real Estate Subject to the Appraisal	:	167 Dunams, 3 Furrows, 1.200 square feet (*) According to the measurement units used in Turkey, it corresponds to: 224.500 m2. (*) Northern Cyprus still makes use of the measurement units of dunam, furrow and square feet. 1 Dunam = 1.337,8037800057044 m2, 1 Furrow = 334,4509400013988 m2, 1 Square Foot = 0.09290304 m2. Furthermore, 1 dunam = 4 furrows, 1 furrow = 3.600 square feet.
Land Area of Closed Spaces of the Real Estate Subject to the Appraisal	:	Abandoned buildings found in the plot have not been taken into consideration. Detailed information has been provided within the report.
Zoning Status of the Real Estate Subject to the Appraisal	:	Tourism Development Area

As of 31.12.2014

	Market Value of the Remaining Construction Right of the Real Estate (EURO)	Market Value of the Remaining Construction Right of the Real Estate (TL)
VAT Excluded	8.127.000	2.881.000
VAT Included	9.590.000	3.400.000

- 1-) The appraised value is the current value regarding the cash sale price.
- 2-) The VAT ratio has been established at 18%.
- 3-) The currency rates have been established at 1 EUR = 2,8207 TL; 1 GBP = 3,5961 TL
- 4-) This report has been prepared within the scope of the related Capital Market Legislation.



Names of the persons participating in the report

Certified Appraiser	:	Hamdi ARIKAN
Certified Appraiser	:	Dilek YILMAZ AYDIN
Responsible Appraiser	:	Neşecan ÇEKİCİ



Declaration of Conformity

- The findings hereby presented in this report are correct, within the scope of the information that the Appraisers had at their disposal.
- The analysis and their respective results are limited only according to the specified assumptions and conditions.
- The appraisers have no connection whatsoever to the property subject to the appraisal nor will they ever have.
- The appraisers are not biased in relation to the real estate and the related parties.
- The appraisal cost does not depend on any single part, analysis opinion or the results of the report.
- The appraisers have carried out the appraisal pursuant to the moral principles and performance standards.
- The appraisers meet the necessary professional education terms and possess the sufficient experience.
- The analysis, opinions and resulting values have been prepared in accordance with the International Valuation Standards (IVS - UDES).

Assumptions

- The value stated within this report is the value specified on the date of its preparation. The appraisers cannot be held responsible for the economic and/or physical changes that might affect the value herein stated, occurring after the date of this report.
- No comments in this report (even though the matters in question are discussed in the continuation of the report) have been made with the purpose of clarifying legal affairs, matters that might require special research and specialty or other issues that are beyond the scope of the area of expertise of the appraisers.
- No changes have been made to the information pertaining to the property. The authorities that provide the information related to the property and legal descriptions are generally accepted to be trustworthy; however, no guarantees are given with regard to their truthfulness.
- Documents and corresponding related information are found in the report as they have been procured from public institutions.



- The photographs, maps, images and diagrams have been used for illustrative purposes only, in the interest of further comprehending the matters mentioned in the report; thus, they cannot be used as a reliable reference for any other purpose.
- The projections subject to this appraisal have been performed in order to help the appraisal process by taking into account a stable economic process, in the case of a demand during the current market conditions. The projections depend on the variable market conditions, which the appraisers cannot accurately discern; moreover, it is possible that the value might be affected from these variable conditions.
- The appraisers do not possess the necessary qualifications to determine the dangerous or health threatening materials found within or in the proximity of the property. Throughout the value appraisal, it is assumed that such materials that might decrease the value are considered to be inexistent. No responsibility is accepted concerning this matter.
- Predictions and projections or business estimates included in this appraisal report depend on the current market conditions and short term supply, together with demand factors and a stable economy; consequently, these may present changes to plausible future conditions. No responsibility is accepted in the event that the opinions and results presented in the report are affected due to economic changes that might occur after its herein date.
- Unless stated otherwise, underground resources have not been taken into consideration.
- It is not possible for the appraisers to carry out a soil contamination investigation, in the matter of the property in question. For this reason, to the extent that it can be seen, it has been determined that there is no cause for concern in regard to soil contamination.
- On account of the area in question being an established earthquake zone, the subject of ground stability cannot be clarified without the performance of detailed geological surveys. For this reason, in behalf of the appraisal studies, it has been assumed that there are no negative issues presently concerning the ground.
- Soil investigation and soil contamination studies in real estate fall within the scope of the “Environmental Geophysics” field. Our company does not employ such a specialization, thus did not perform a detailed investigation regarding the aforementioned matter. However, in accordance with the observations carried at the locale, it has been established that the real estate poses no threat to the environment. For this reason, this appraisal has been carried out taking into consideration that there have not been any negative effects against the environment.



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1 REPORT INFORMATION

1.1 The Date, Number and Type of the Appraisal Report

Date of Report : 02.01.2015

Report Number : 2014-020-GYO-003

Type of Report : Appraisal report relative to the "Forest" quality real estate situated in the Northern Cyprus city of Gazimağusa, township of Iskele, village of Bafra, Plan No. 1, Section no. XVI/1, Plot no. 23/2/1 + 23/4, has been prepared for the purpose of determining the current market value of the construction rights, with regard to the real estate, in Turkish Lira currency.

1.2 Information Regarding the Responsible Appraiser that Prepared the Appraisal Report

Report Issued By : Certified Appraiser, Hamdi ARIKAN

Report Controlled By : Certified Appraiser, Dilek YILMAZ AYDIN

Responsible Appraiser : Responsible Appraiser, Neşecan ÇEKİCİ

Capital Market Board Coverage : Yes

*** The appraisal has been hereby prepared in accordance with the scope of the Capital Market Legislations.**

1.3 Date of Appraisal

On the date of 15.10.2014, the necessary procedures have been initiated for this appraisal report. Subsequently, the report has been concluded on the date of 02.01.2015.

1.4 Reference Agreement

This Appraisal Report has been prepared pursuant to the provisions of the Reference Agreement executed between our company and Akfen Real Estate Investment Trust Inc. on the date of 13.10.2014.

1.5 Statement Whether the Report Has Been Prepared Within the Scope of the Board Arrangements for the Purpose of the Appraisal

The current Report has been prepared within the scope of the Capital Market Board arrangements.



2 INTRODUCTORY INFORMATION CONCERNING THE COMPANY AND THE CLIENT

2.1 Introductory Information Concerning the Appraisal Company

Company Title : EPOS Real Estate Consultancy and Appraisal Inc.

Company Address : Kore Şehitleri Cad. Yüzbaşı Kaya Aldoğan Sok. Engin İş Merkezi No: 20 Kat:2
Zincirlikuyu / ISTANBUL

2.2 Introductory Information Concerning the Client

Client Title : Akfen Real Estate Investment Trust Inc.

Client Address : Büyükdere Caddesi, No: 201, C Blok, Kat: 8 Levent / ISTANBUL

2.3 The Scope of the Client's Demand and the Applied Limitations, If Any

The Appraisal report relative to the "Forest" quality real estate situated in the Northern Cyprus city of Gazimağusa, township of Iskele, village of Bafra, Plan No. 1, Section no. XVI/1, Plot no. 23/2/1 + 23/4, with an area of 167 Dunam, 3 Furrows, 1.200 Square Feet (corresponding to an area of 224.500 m²) has been prepared for the purpose of determining the current market value of the construction rights in Turkish Lira currency, in relation to the real estate, within the scope of the board regulations.

With reference to the 13.10.2014 dated request by Akfen Real Estate Investment Trust, an appraisal report has been prepared with regard to the property in question belonging to the "Forest Department, in representation of the Turkish Republic of Northern Cyprus Ministry of Agriculture and Natural Resources, which is responsible for the forest related works", in order to determine the value of the Construction Right with a duration of 49 years, that has been granted to AKFEN Real Estate Trade and Construction Inc, starting from the date of 30.12.2010; moreover, there are no restrictive constraints in force exercised by the client. During the appraisal studies, the market research, the onsite surveys and the existing agreements between Akfen Real Estate Trade and Construction Inc. and the Turkish Republic of Northern Cyprus Ministry of Agriculture and Natural Resources, which is responsible for the overseeing of the forests, have all been taken into account.



3 VALUE DEFINITIONS, DESCRIPTION OF APPRAISAL METHODS

There are three different appraisal methods available in our country: “Exemplary Comparison Approach (Market Approach)”, “Cost Approach” and “Revenue Discount Approach”.

3.1 Exemplary Comparison Approach

With regard to the real estate that will be appraised; this method follows particular procedures, such as the comparison of the real estate with other real estates that have similar characteristics in the market and those that have been recently sold, the application of appropriate comparison processes and making various modifications in the comparable sale values.

The appraisal analysis are carried out by means of comparing the examples found within specific criteria such as location, visibility, functional use, size, zoning status and its comparable. The market value approach is the most preferred method when there are widespread and comparable examples present.

The most trustworthy and realistic approach in real estate appraisal is the market value approach. In this appraisal method, comparable examples that share common characteristics with the real estate that has been submitted for the appraisal in the area are evaluated.

The Market Value Approach depends on the following assumptions:

- The existence of an available market, in relation to the type of the real estate in analysis, is acknowledged beforehand.
- It has been verified that the buyers and sellers in this market possess excellent knowledge on the subject of real estate and that, for this reason, time is not a critical factor.
- It has been established that the real estate has stayed on the market for an appropriate amount of time and for a reasonable price.
- It has been determined that the chosen comparable examples possess common characteristics with the real estate in question.
- It has been noted that the changes made in the prices given for the chosen comparable examples are subject to today’s socioeconomic conditions.

3.2 Cost Approach

In this method, the appraisal of the real estate is based on the cost of the reconstruction of the real estate, in accordance with today’s socio-economic conditions.

Pursuant to this approach, it has been established that the value of the real estate consists of two different facts, namely land and buildings; in addition, it is acknowledged that the real estate has a significant remaining economic life span. Therefore, for this reason, it is taken into account that the value of the real estate will decrease in time due to physical wear and become out of date in terms of



functionality and economic status. In other words, this method concedes that the current value of a real estate can never be more than the cost of its reconstruction.

The appraisal process is calculated by the addition of the interest or gain that the current building possesses, if any, to the present reconstruction or reinstallation cost of the real estate in question, followed by the subtraction of the wear and tear ratio from the total cost and, finally, the addition of the land value. In this sense, the basic principle of the Cost Approach can be explained through the usage value, whereas the usage value is described as “Even though nobody desires or knows about its value, the goods have their real value”.

3.3 Revenue Discount Approach

In the revenue discount approach, the net revenue that the real estate will bring, the idle time, collection losses and business expenses are analyzed for the business period.

The appraisers will calculate the present value of the real estate by capitalizing the prospective future benefits and the revenue that it brings.

There are two different methods in revenue capitalization; Direct Capitalization is calculated through the division of the annual revenue by the revenue ratio or through the multiplication of the annual revenue with the revenue coefficient. On the other hand, in the Reduced Cash Flow, the value of the real estate is calculated by applying the lump sum value and reflecting it on the revenue model; afterwards, the revenues are brought to the present day value by an acceptable discount rate.

Some real estates, due to their characteristics, may need to be appraised by taking into account that they will be improved. In this case, the net revenues that the real estate will generate for its development will be set off from the expenses that will be made for its development; the net result will be taken into consideration to determine the present value of the real estate by taking into account the entrepreneur profit and an acceptable discount rate.

The studies and analysis that constitute the basis of the appraisal remain with the appraiser.

4 ECONOMIC STATUS, REAL ESTATE SECTOR DATA AND ANALYSIS OF THE REGION WHERE THE REAL ESTATE IS LOCATED

4.1 General and Socioeconomic Data

In accordance with the definitive results of the general census carried in the Turkish Republic of Northern Cyprus, on the date of 04.12.2011, the De-facto population of the country is established to be 294.396 and the De-jure population to be 286,257. The De-facto population indicates the population results obtained in regards to where the individual is counted, whereas the De-jure population indicates the population results obtained in regards to where the individual is registered. Permanent Residence is the place where an individual stays in a place for more than one year and for residing purposes.

De-jure population according to the cities: Nicosia (Lefkoşa): 94,824 – Famagusta (Gazimağusa) 69,741 – Kyrenia (Girne) 69,163 – Morphou (Güzelyurt) 30,037 and Trikomo (Iskele) 22,492. Pertaining to the Residential and Population count, these numbers indicate that, in the year of 2006, the district of Girne has had the largest growth rate of 19,4%, followed by Lefkoşa with 11,9%.

1st Stage Definitive results for the year of 2011 of the KKTC Residence and Population Count, according to the Residence Areas, has been provided below:

TURKISH REPUBLIC OF NORTHERN CYPRUS 2011 CENSUS				
DISTRIBUTION OF DE-JURE AND DE-FACTO POPULATION				
ACCORDING TO THE DISTRICTS				
	DE JURE	Distribution (%)	DE FACTO	Distribution (%)
TOTAL	286,257	100.0	294,396	100.0
LEFKOŞA (Nicosia)	94,824	33.1	97,293	33.1
GAZİMAĞUSA (Famagusta)	69,741	24.4	69,838	23.7
GİRNE (Kyrenia)	69,163	24.1	73,577	25.0
GÜZELYURT (Morphou)	30,037	10.5	30,590	10.4
ISKELE (Trimoko)	22,492	7.9	23,098	7.8

Source: KKTC Prime Ministry's Office State Planning Organization (<http://nufussayimi.org>)

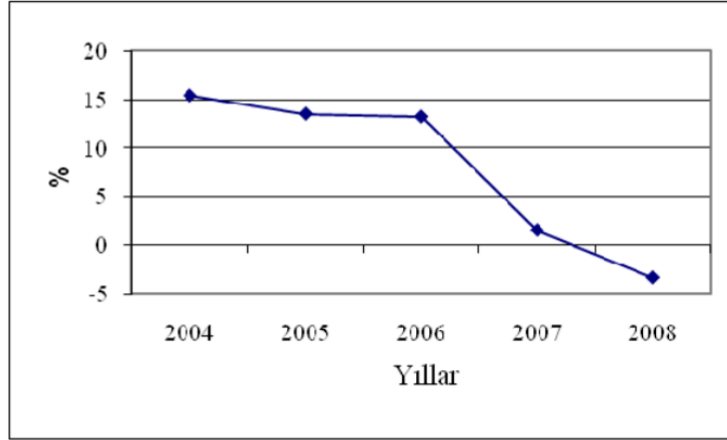
**COMPARISON OF THE DEFINITIVE RESULTS (DE-JURE) OF THE CENSUS FOR THE YEAR OF 2006 IN KKTC WITH
THE DEFINITIVE RESULTS (DE-JURE) OF THE CENSUS FOR THE YEAR OF 2011 IN TERMS OF DISTRICTS**

	2006	DISTRIBUTION (%)	2011	DISTRIBUTION (%)	Growth rate in the De-jure population between the years of 2006 – 2011 (%)
	DE JURE		DE JURE		
TOTAL	256,644	100.0	286,257	100.0	11.5
LEFKOŞA (Nicosia)	84,776	33.0	94,824	33.1	11.9
GAZİMAĞUSA (Famagusta)	63,603	24.8	69,741	24.4	9.7
GİRNE (Kyrenia)	57,902	22.6	69,163	24.1	19.4
GÜZELYURT (Morphou)	29,264	11.4	30,037	10.5	2.6
İSKELE (Trimoko)	21,099	8.2	22,492	7.9	6.6

Source: KKTC Prime Ministry's Office State Planning Organization (<http://nufussayimi.org>)

4.2 The KKTC Economy

The Turkish Republic of Northern Cyprus could not continue the growth trend that it had managed between the years of 2003 – 2006; in the year of 2007, it had a real growth rate of 1,5%, while in the year of 2008, it suffered a shrinkage of 3,4%. Thus, the average real growth rate in the gross national income has been of 7,8% in the last five years, having reached 5,128,334,134.4 TL with the current price in the year of 2008. In the same year, the gross national income had an increase of 9,8% with the current prices and based on the USD, reached 3,995.6 million dollars with an increase of 11%. Therefore, the gross national income of 14.765 USD in the year of 2007 has reached to 16,158 USD in the year of 2008. When the real developments relative to the industries are observed, it has been noted that a real shrinkage has been the case in all industries, except for utilities, hotel management, restaurant management, transportation, communication, accepting houses, residential ownership, independent professions and services, as well as public services.



Source: State Planning Organization

It has been observed that the growth trend, which the KKTC had managed in the year of 2007, has declined in the following year, thus resulting in a decrease of 3.4% in the year of 2008.

The total sources consisting of the gross national income, along with the external deficit, have remained behind the shrinkage tendency due to the increase in the external deficit in the year of 2008, reaching 5,629,284,184.4 TL with the current prices by having a real recession of 0,8%. While the gross national income has made up 91.1% of the total sources in the year of 2008, the external deficit has made up 8,9% of the total sources with 500,950,050 TL. In the year of 2007, the gross national income has reached 93.5% of the total sources, with the external deficit making up 6.5%. It has been observed that, on account of the economic shrinkage suffered in the year of 2008, this situation has consequently affected the investments expenses negatively, displaying a shrinkage of 15.2%; at the same time, a real growth of 3.2% has been verified in relation to the total consumption. Thus, 21.8% of the total resources in the year of 2007 have been channeled to the total investments, whereas 78.2% went to the total consumption; afterwards, in the year of 2008, these rates have displayed some changes to the benefit of the total consumption, resulting in 18.6% and 81.4% respectively. The total consumption of 4,580,141,996.5 TL managed with the current prices and 29.8% of this amount comes from public consumption and 70.2% from private consumption. The ratio of the total investments in the gross national income has declined 20.5% in the year of 2008, when compared to 2007, while the total consumption ratio has increased to 89.3%. The public disposable income has displayed a real growth of 7.6% in the year of 2008, when compared to 2007, and has managed an amount of 1,105,639,508.1 TL with the current prices. Therefore, the 19.4% rate of the public disposable income within the gross national product in the year of 2007 has increased to 21.6% in the year of 2008. The private disposable



income has suffered a recession of 6% in the year of 2008 and, moreover, its ratio within the gross national income has been 78.4%.

Number of Employed in the Tourism Industry												
Contents											A:Facility	B:Staff
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total	A....	664	645	679	886	689	820	827	866	919	663	761
	B....	6.049	5.995	6.056	6.070	6.699	7.871	7.797	8.208	9.751	9.224	10.965
1. Touristic Accommodation Facilities ¹	A....	103	107	110	115	116	121	127	130	119	119	127
	B....	2.865	2.901	2.939	2.393	2.397	2.838	2.961	2.909	3.734	3.321	3.738
2. Other Accommodation Facilities ²	A....	13	13	13	11	12	12	12	12	11	15	15
	B....	49	35	36	25	36	38	25	26	24	43	47
3. Touristic Side Facilities ³	A....	385	365	388	588	407	509	515	537	627	360	450
	B....	1.333	1.257	1.218	1.846	1.951	2.264	2.313	2.341	2.304	1.953	3.016
4. Tourism and Travel Agencies	A....	142	140	148	155	135	157	156	165	137	144	143
	B....	518	488	549	488	416	471	400	408	326	340	346
5. Casinos	A....	21	20	20	17	19	21	17	22	25	25	26
	B....	1.284	1.314	1.314	1.318	1.899	2.260	2.098	2.524	3.363	3.567	3.818
¹ Including Hotel, Hotel Apartment and Others												
² Including Hostel and Resting Houses..												
³ After the year of 2008 only includes Restaurants												
<i>Source: Department of Tourism Planning, State Planning Organization</i>												

4.3 Analysis of the Region Where the Real Estate is Situated

4.3.1 The Turkish Republic of Northern Cyprus

Cyprus is the third largest island in the Mediterranean, after Sicily and Sardinia. The island has a long history, dating back to 7000 B.C.; on the year 1571, it was conquered by the Ottomans and entered under Turkish rule. When the Ottoman Empire joined the Germans in the First World War, Cyprus was annexed by Britain in the year of 1925 and became a British Colony. In the year of 1960, Cypriot Turks and Greeks established the Republic of Cyprus. After a coup d'état in the year of 1974, as an attempt to connect the island to Greece, Turkey intervened. After this intervention, the island became separated into the Northern Cyprus, where the Cypriot Turks live, and the Southern Cyprus, where the Cypriot Greeks live. In the year of 1975, the Turkish Federal State of Cyprus was established and later, in the year of 1983, the Turkish Republic of Northern Cyprus (KKTC) was established. According to the data obtained in the year of 2011, the capital city of Lefkoşa (Nicosia) has a population of 286,257. The city is surrounded by Dipkarpaz (Rizokarpazo) to the north, Güzelyurt (Moprhou) to the west and Akıncılar (Louroujina) to the south.



Map of Cyprus and KKTC

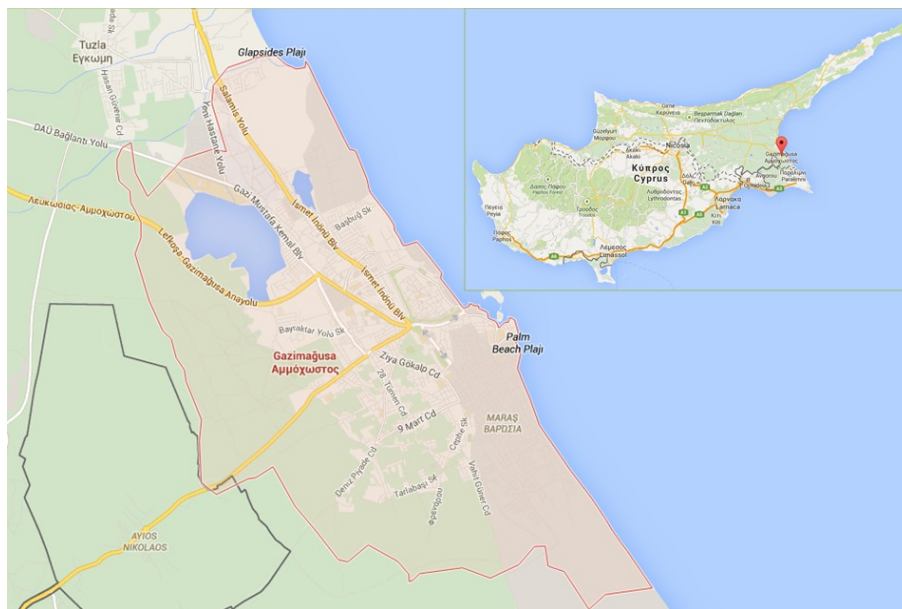
57% of the lands in the KKTC are of an agricultural nature. Considering that there are no sufficient water sources, irrigation is done by modern irrigation systems. In terms of industry, Cyprus has a small scale production that is typically seen on islands. There are significant advances in the areas of food, construction and textile.

On account of its natural landscape and rich history, the KKTC is an important destination in the Mediterranean; moreover, on the grounds that casinos are outlawed in Turkey, numerous touristic

facilities operate in the KKTC. Furthermore, with its 7 universities, there are many students originating from Turkey and abroad, which result in a further improvement of the KKTC economy.

4.3.2 The District of Gazimağusa (Famagusta)

Just as it occurred in all of Cyprus, in general, the year of 1974 constituted a turning point for the city of Gazimağusa (Famagusta) as well. The city used to have a population of 41.000 before the year of 1974 and was a significant commerce and tourism center, with the largest port of the island. Between the years of 1974 – 1986, immigrants from the southern part of the island and from Turkey started to arrive, initiating a period of a post-war process of reconstruction and renovation. During this period, with the closing of the most dynamic area of Maraş (Varosia), urban development slowed down significantly. The construction of the Eastern Mediterranean University, in the year of 1986, had an important impact in the socioeconomic structure of the city and added a new population of university students and workers. As a consequence, it has contributed to the change of the development of the city towards the north-northeast, which was previously towards south. This has resulted in a major structuring, especially in the regions of Sakarya, Karakol, Baykal, North of salamis road and Tuzla.



Location of the City of Gazimağusa (Famagusta)

In the year of 2000, the population of the city surpassed 30.000; besides being a historical port city and a regional center, it had the opportunity to become a university city as well. The current location of the city of Gazimağusa, with regard to the current conditions, is the continuation of a historical mission. Even today, the fact that Cyprus is a divided island does not affect the city of Gazimağusa. The city harboring the largest port of the KKTC and the Free Port, thusly constitutes a port city not only in the economic



area but also in the areas of communication, science, technology, culture and such similar fields. According to the data relative to the year of 2011, the total population of the city is 69,741.

4.3.3 Real Estate Market Analysis of the KKTC

The increase of the initiatives for peace in the Turkish Republic of Northern Cyprus have lead to a considerable expectation, in regards to the development of the real estate market in the island; to this extent, it is expected that the real estate industry will benefit the most, in the event of a peace environment. Taking into consideration that the prices on the Southern Side are 3 times higher than the prices in the KKTC, many believe that an eventual peace environment will contribute to the increase in the prices in the North. Even though this situation may point to a major potential, the fact that the KKTC is not recognized in the international arena and that there are sanctions in force, as well as the unresolved ownership issues with the Greeks, result in a certain hesitation in coming to the KKTC, on behalf of foreign investors, with the exception of individual buyers. In addition, the fact that the KKTC has an excess of residential buildings, with its population of 300.000, also constitutes a negative factor. However, in spite of all these negative factors, KKTC is still a major potential waiting to be discovered and will decidedly shine through with the resolution of its problems.

5 INFORMATION IN REGARD TO THE REAL ESTATE SUBJECT TO THE APPRAISAL

5.1 Information in Regard to the Location, Site and Environment of the Real Estate

The open address of the real estate is Locality of Bafra, Section no: XVI, Plot no: 23/2/1 + 23/4 İskele / Gazimağusa / KKTC. The real estatesubject to the appraisal study is situated in the Bafra Tourism Center area of the district of Iskele, in the city of Gazimağusa. In order to reach the real estatein question, from the Ercan Airport, one follows the direction towards Gazimağusa – İskele Bafra, thusly arriving at the Tourism Center.

Within the scope of the 30.06.2006 dated “1st Stage Decree for Bafta and Its Surroundings”, the region has been declared a Tourism Center and, therefore, became desirable. There are numerous allocated and leased lands to companies, with the purpose of the development of projects in the area; however, it has been observed that these projects have not been realized yet and that there is a certain inertia.

The Kaya Artemis Hotel and The Göçtur Hotel are situated at a distance of approximately 300 m from the real estatesubject to the appraisal. Currently, there are existing hotel projects in the area, some of which are still under construction. The construction of the Limak Babylon Resort Hotel, located in the plot next to the real estatein question, is still in its basic construction phase. The Nuh’un Gemisi Hotel, situated at a distance of approximately 2,5 km from the real estatein question, has started to operate in the year of 2011.

The real estate subject to the appraisal has a façade of roughly 350 m to the coast line. Although a two way highway has been constructed in order to access the region, the fact that it is at a distance of almost 70 km to the Ercan Airport is negatively affecting the demand in the area. The hotel subject to the appraisal is at a distance of 20 km to the city center of Iskele, 72 km to the Ercan Airport and 42 km to the city center of Gazimağusa.



The Location of the Land Subject to the Appraisal



The Location of the Real Estate in Question and Satellite Image of Its Surroundings

5.2 Information with Regard to the Land Registry of the Real Estate

Township	:	Iskele
Village or Town	:	Bafra
Neighborhood	:	- -
Locality	:	- -
Section No	:	XVI
Block No	:	- -
Plot No	:	23/2/1+23/24
Surface Area	:	167 dunam, 3 furrow, 1200 square feet (*)
Type	:	Forest
Lessor	:	Forest Department, representing the Turkish Republic of Northern Cyprus (KKTC) Ministry of Agriculture and Natural Resources, which is responsible for the forest related works.
Lessee	:	Akfen Real Estate Trade and Construction Inc.
Duration of Lease	:	49 Years; Starting Date: 30.12.2010-29.12.2059
Annual Lease Value	:	52.047 \$
Lessee ID Page	:	27
Share or Right	:	All
File No	:	D-468/06, D-891/014, D-253/011, D-468/014

(*) Dunam, Furrow and Square Foot are used as area measurement units in the KKTC. 1 dunam = 1.337, 8037800057044 m²; 1 furrow = 334,4509400013988 m²; 1 square foot = 0.09290304 m². In addition, 1 dunam = 4 furrows; 1 furrow = 3.600 m² (The corresponding number in Turkish measurement units is 224.528 m²)



5.2.1 Investigation of the Land Registry of the Real Estate

It is not possible to conduct an inspection at the KKTC Land Registry and Cadastral Offices. To investigate the existing restrictions on the immovable, only the owner or an authorized representative with a proper power of attorney issued at a notary can obtain an “Immovable/Asset Inspection Document” from the related department. The “Immovable/Asset Inspection Document”, obtained from the KKTC Land Registry and Cadastral Office of Gazimağusa, has been submitted to us and, in accordance with this document, there are no restrictions present concerning the real estate in question.

The Immovable/Asset Inspection Document has been enclosed herewith.

There is a 2006 dated lease agreement with the duration of 49 years, in regards to the plot subject to the appraisal study, signed between Akfen Real Estate Trade and Construction Inc. and the KKTC Ministry of Finance State Estate and Equipment Department. The lease’s starting and ending, pursuant to this agreement, along with the annual lease values have been recorded at the land registry and cadastral office. In accordance with this agreement, the lease start date is 01.05.2006 and the ending date is 30.04.2055, with the annual lease value of 90.931 USD. The related “LAND REGISTRY AND CADASTRAL DEPARTMENT STATE TREASURY ASSET LEASE DOCUMENT” has been enclosed herewith. It has been noted that this situation continues to be valid.

Taking into account that the above mentioned 2006 dated agreement was ruled void by the High Court, a new lease agreement for the duration of 49 years has been signed on the date of 31.12.2010, between the Forest Department, representing the Turkish Republic of Northern Cyprus (KKTC) Ministry of Agriculture and Natural Resources, which is responsible for the forest related works. Pursuant to this new agreement, the starting date of the lease has been determined to be 30.12.2010 and the ending date 29.12.2059, together with the lease value for the 1st year at 52.047,44 USD. Nonetheless, it has been noted that this new agreement, with a duration of 49 years, has not been registered at the Land Registry and Cadastral Office.

5.2.2 Changes that Have Occurred in the Land Registry of the Real Estate within the Last Three Years

Except for Akfen Gyrimenkul Ticareti ve İnşaat A.Ş, there are no buying or selling activities with regard to the immovable, within the last three years, executed by a different person, institution or agency.

5.2.3 Opinion Whether There Is an Obstacle In Including the Investment Trust Portfolio in Terms of Land Title Records to the Real Estate Within the Scope of the Capital Market Legislation

The forest land subject to the appraisal has been first leased for the duration of 49 years with the 2006 dated lease agreement signed between Akfen Gayimenkul Ticareti ve İnşaat A.Ş. and the KKTC Ministry



of Finance State Estate and Equipment Department. In accordance with the terms and conditions of this agreement, the starting date of the agreement had been set for the date of 01.05.2006 and the ending date for the 30.04.2055, with a lease value of 90.931 USD for the 1st year. **Pursuant to the decree given by the High Administrative Court, with the numbers YIM 38/2006 and 39/2009, the agreement between Akfen Real Estate Trade and Construction Inc. and the State Estate and Equipment Department had been ruled void and, in accordance with the decision that the land should be leased within the scope of the “19/2003 dated Transfer and Lease of Low Forested Lands”, the agreement has been terminated by the KKTC Ministry of Finance State Estate and Equipment Department for the reason that the land in question is of a forest land quality.**

Following this, a new lease agreement for the duration of 49 years has been signed on the date of 30.12.2010, between Akfen Real Estate Trade and Construction Inc. and the Forest Department, representing the Turkish Republic of Northern Cyprus (KKTC) Ministry of Agriculture and Natural Resources, which is responsible for the forest related works. According to this lease agreement, **the starting date for the lease has been set for 31.12.2010 and the ending date for 29.12.2059, with a lease value of 52.047,44 USD for the 1st year.**

In this lease agreement, the title of the lessee has been written erroneously as “**Akfen Turizm İnşaat ve Ticaret A.Ş.**”; this situation has been remedied with an additional “NAME CHANGE AGREEMENT” and corrected as “**Akfen Real Estate Trade and Construction Inc.**”.

Pursuant to the new lease agreement signed between the Forest Department Directorate and Akfen Real Estate Trade and Construction Inc. on the date of 30.12.2010, the contents of the **Article number 3** found under the **OTHER CONDITIONS** on the 2nd page have been provided below:

The lessor and the lessee have agreed upon the specified date and/or durations, with regard to the construction and completion of the touristic facility project. The lessee’s planning approval and incentive documents will be obtained from the related agencies within 12 (twelve) months, at most, after the signature of the agreement. In the case of failure to obtain these documents, the aforementioned agreement will be terminated.

The Lessee will obtain the construction permit of the touristic facility project from the related agencies within 12 (twelve) months after the signature of the agreement, at most, and will start the construction of the facility within 4 (four) months, at most, after obtaining the construction permit; moreover, the Lessee will complete the construction within 48 (forty eight) months. However, in the case of a delay caused by any public agency during the time period required to obtain the necessary



documents to start the construction, both parties have agreed upon that the above mentioned dates will be set back.

The Lessee will complete;

a. **25% of the Project within 28 (twenty eight) months following the date of obtaining the construction permit.**

b. **50% of the Project within 36 (thirty six) months following the date of obtaining the construction permit.**

c. **75% of the Project within 44 (forty four) months following the date of obtaining the construction permit.**

d. **100% of the Project within 52 (fifty two) months following the date of obtaining the construction permit.**

The Lessee agrees that within 6 (six) months, at most, after the date of notifying the related official authorities with regard to the completion of the construction of the tourism investment, the necessary operating permit and/or licenses will be obtained from the Tourism and other related Ministries and/or Agencies and the facility will be subsequently put into service.

Pursuant to the **Article number 5** found under the **OTHER CONDITIONS** on the 2nd page, the contents have been provided below:

All the specified and/or estimated time and duration for the payment of the lease values, pursuant to the herein agreement, the start and completion of the construction, along with the obtaining of the necessary permits required to put the facility into service, constitute the essence of this agreement.

The time period given to the Lessee to obtain the Planning Approval, Incentive Document and Construction Permit mentioned in the **Article Number 3**, under the **OTHER CONDITIONS** section mentioned above, has been extended;

- Until the date of 30.06.2012 with the 30.12.2011 dated 2nd Additional Lease Agreement
- Until the date of 31.12.2013 with the 28.12.2012 dated 3rd Additional Lease Agreement
- Until the date of 10.02.2014 with the 31.10.2014 dated 2nd Additional Lease Agreement

The lease agreement signed between the KKTC Forest Department Directorate and Akfen Real Estate Trade and Construction Inc., together with its 2nd, 3rd and 4th additional agreements, have been enclosed herewith.

The time extension granted with the 4th additional agreement has expired on the date of 31.10.2014. Akfen Real Estate Trade and Construction Inc. has applied to the KKTC Ministry of Environment and Natural Resources (Forest Department Directorate) for another extension, with the 20.10.2014 dated



letter and number AYK-GTI/004; however, it has been noted that no reply has been received yet. The application letter has been enclosed herewith.

A definitive planning approval has been granted in regards to the touristic facility project that has been decided for the development on the plot by the KKTC Ministry of Internal Affairs City Planning Department with the approval number of 2013 BAF 11, valid until the date of 26.12.2016. The document in question has been enclosed within the 26.12.2014 dated current zoning status, which is also enclosed herewith. The project approval and construction permit, with regard to the planned project, have not been obtained and the construction stage has not yet started. The 30.10.2010 dated lease agreement is still valid and the annual lease payments are still effected. The lease value receipt relative to the payments effected by Akfen Real Estate Trade and Construction Inc. to the KKTC Forest Department between the years of 2014 – 2015, corresponding to an amount of 58.579,39 USD, has been enclosed herewith. No information or documents have been found, with regard to the termination of the agreement pursuant to the terms and conditions mentioned in the Article number 3 of the Lease Agreement. For this reason, no obstacle has been found that prevents the real estate from being included in the Real Estate Investment Trusts portfolio, within the scope of the Capital Market Board regulations, in terms of **“land registry records”**.

5.3 Inspection of the Zoning Information of the Real Estate

Pursuant to the inspections performed at the KKTC Ministry of Internal Affairs City Planning Department, where a preliminary permit is granted for any structuring in the KKTC, as well as to the 26.12.2014 dated zoning status obtained from this agency with the number ŞPD0.00107/100-14/612;



Zoning Status:

As opposed to the zoning system in Turkey, structuring is possible with decrees instead of zoning plans, in the KKTC. Furthermore, the areas are separated in these decrees and a multi zoning right is possible for structuring in these said areas.

According to the 30.06.2006 dated 1st Stage Decree for Bafra and Its Surroundings, with a scale of 1/2500, the real estate in question is included in the legend of "Tourism Development Area". Pursuant to the paragraph (d) of the decree in question;

(i) Within the marked areas, designated as "Tourism Development Areas" in the 1st Stage Decree for Bafra and Its Surroundings Development Decisions Map, which contain roads, water, electricity, waste facility and such similar infrastructures, pursuant to the terms set out in the paragraph (d) of the 2nd clause of the Article number 11, developments within the scope of the project prepared for development and/or an allotment project, for the purpose of construction and/or completing the Combined Accommodation Facilities that consist of Hotel, Apartment Hotel and Touristic Bungalow type structures; these can be constructed on the condition that they comply with the terms and conditions set out in Article number 30, together with the projects that have obtained a Construction Right and/or a visa from the chamber of engineers before the date when this decree went into force.

(ii) Within the marked areas, designated as "Tourism Development Areas" in the 1st Stage Decree for Bafra and Its Surroundings Development Decisions Map, which contain roads, water, electricity, waste facility and such similar infrastructures, pursuant to the terms set out in the paragraph (d) of the 2nd clause of the Article number 11, developments within the scope of the project prepared for the development and/or an allotment project, for the purpose of construction and/or completing the Combined Accommodation Facilities that consist of Hotel, Apartment Hotel and Touristic Bungalow type structures; these can be constructed on the condition that these do not exceed the Total Construction Area Ratio of 0.35/1 and the Construction Lot Coverage Area Ratio of 20% (37 feet); for Hotels and Apartment Hotels, the limit for the Max. Building Floor Number is 3 (three), Building Total Height is 11,10 m (37 feet); for Bungalow buildings, Max Building Floor number is 1 (one) and the Building Total Height is 5,10m.

(iii) However, on the condition that no alteration is made to the building floor number, the building and land ratio, in the event of existing environmental factors to be protected and/or precautions to be taken and/or the facility needing an open space, the building can be gathered up and permitted to be raised further. In a situation like this, the maximum number of floors must not exceed 8 (eight).



5.3.1 Plan, License, Diagram and Similar Documents with Regard to the Real Estate

There are no existing legal documents, with regard to the buildings currently found on the plot, the construction of which began 25-30 years ago and was left in a state of basic construction phase.

There is no construction permit or approved architectural project with regard to the planned development project on the plot in question by Akfen GYO.

5.3.2 Changes that Have Occurred in the Legal Status (Changes in the Zoning Plan, Nationalization, etc.) of the Real Estate within the Last Three Years

A change in the legal status of the real estate in the last 3 years is out of the question.

5.3.3 Opinion Whether the Necessary Permit and Documents Pursuant to the Legislation are Accurate and Complete

The land subject to the appraisal has been leased for the duration of 49 years, with the 30.12.2010 dated lease agreement signed between the KKTC Forest Department Directorate and Akfen Real Estate Trade and Construction Inc. The starting date of the agreement is 30.12.2010 and the ending date is 29.12.2059. According to the lease agreement, a definitive planning approval with the number 2013 BAF 11, valid until the date of 26.12.2016, has been obtained from the KKTC Ministry of Internal Affairs City Planning Department; however, a project approval or construction permit have not yet been obtained.

5.3.4 Opinion Whether There Is an Obstacle in Including the Investment Trust Portfolio in Terms of Zoning Information to the Real Estate within the Scope of the Capital Market Legislation

No alteration has been found in the current zoning status and the structuring conditions of the real estate subject to the appraisal. For this reason, there are no obstacles that prevent the real estate from being included in the Real Estate Investment Trusts portfolio, within the Capital Market board regulations and in terms of zoning information.

The legal process with regard to the project that is being developed with the 30.12.2010 dated lease agreement, between Akfen Real Estate Trade and Construction Inc. and the KKTC Forest Department Directorate, in relation to the land and the detailed information concerning this process, has been provided under the article 5.2.3 of this report.

5.3.5 Statement that the Detailed Information, along with the Value in Question Regarding the Project, are Completely in Connection with the Project and that, in the case of Executing a Different Project, the Resulting Value Might Vary

The appraisal study in question is not carried out within the scope of the “project evaluation”.



5.4 Physical Characteristics of the Real Estate

5.4.1 Structural Construction Characteristics of the Real Estate

On the real estate subject to the appraisal study, there are two story blocks that went under construction approximately 30 years ago and was left at a stage of basic construction. There are no available projects or permits with regard to these buildings. It has been noted that Akfen Real Estate Trade and Construction Inc. will demolish these abandoned buildings, within the scope of the development project process.

5.4.2 Inspections Performed Within the Premises of the Real Estate

- The real estate subject to the appraisal is situated in the district of Iskele, township of Bafra, “Tourism Investments Area”.
- Has a total surface area of 167,83 Cyprus Dunam (Corresponding to 224.500 m² according to Turkish measurement units).
- The plot has a very slight east-west inclination (almost flat) and an almost rectangular shape.
- The real estate is the 1st plot on the coast line and has a façade of approximately 350 m to the sea.
- There are abandoned buildings on the plot that went into construction in the 1980’s and have been left in a state of basic construction. Aside from the buildings, there is vegetation and soil.
- The plot is surrounded with barbed wire. There is a signpost saying “AKFEN GAYRİMENKUL TİCARETİ VE İNŞAAT A.Ş – BAFRA HOTEL CONSTRUCTION.” However, there are no activities on the plot with regard to the development project.
- To the north of the plot, the Limak Babylon Resort Hotel is still in a basic construction phase.
- To the further north of the Limak Babylon Hotel, the Kaya Artemis Hotel is operational and providing services.
- All roads leading to the real estate are covered with asphalt.



6 FACTORS AFFECTING AND DETERMINING THE VALUE OF THE REAL ESTATE

6.1 Factors that Limit or Negatively Affect the Appraisal Process

There are no limiting or negatively affecting factors hindering the appraisal studies in question.

6.2 Swot Analysis

Strengths

- The real estate subject to the appraisal is situated in the Bafra region, which has been declared as being a “Tourism Development Area”.
- In the event of the investments planned for the area actually becoming materialized, the region will develop into a primary touristic spot.
- In terms of its surface area, the plot is suitable for all kinds of touristic projects; in addition, the plot has multiple building zoning right.
- The plot has an almost flat ground and a regular rectangular shape.
- The plot is situated as a 1st plot to the coast and has a façade of 350m.
- The “Lease Agreement” that is valid until the year of 2059 has been registered at the Land Registry Cadastral Office, on behalf of Akfen Real Estate Trade and Construction Inc.

Weaknesses

- The real estate is located far from the Ercan Airport and from centers such as Lefkoşa, Girne and Gazimağusa (Nicosia, Kyrenia and Famagusta).
- The Ercan Airport is not an International airport, thus the number of tourists is limited.
- The region has been declared “Tourism Investment Area” in the year of 2006; however, most of the projects that have been planned for the allocated lands have not yet started. Taking this fact into account, the desired speed has not yet been achieved.
- There are buildings in the plot that have been abandoned for 25-30 years.
- Since the year of 2006, the initial starting date of the lease, the required project approval and the construction permits with regard to the planned project for the plot have not yet been obtained.

Opportunities

- There are many investments planned in the region where the real estate is situated. In the case of these projects materializing, the region will improve in demand.
- Even though it might seem as a low possibility, a positive result from the Cyprus Discussions will speed up the investments planned in the area.



Threats

- The time period granted to Akfen Real Estate Trade and Construction Inc. for the purpose of obtaining the “Planning approval, incentive document and construction permit” from the related authorities has expired as of 31.10.2014. The application for an extension has been asked for but a reply has not yet been received.
- There are many lands in the region that have been allocated in long term agreements, for the purpose of tourism investments, although most of these have not been materialized.
- There is no sale or transfer capability in the free market.
- The KKTC economy has slowed down in recent years. It has a fragile political and economic structure.

6.3 Exemplary Share Rate in the Projects that Will Be Performed According to the Revenue

Sharing and Flat for Land Methods

Revenue Sharing and Flat for Land Methods have not been employed throughout this appraisal study.

6.4 Methods and Eligibility Motives Employed in the Appraisal of the Real Estate

Despite the fact that the real estate has been registered in the KKTC land registries as a “Forest”, for the reason that it is situated in the “Tourism Development Area” in Bafra and that it possesses suitable structuring conditions in its zoning plan for touristic project development, it has been considered as a “zoned land” and, therefore, the Exemplary Approach method has been employed.

6.4.1 Exemplary Approach

The real estate subject to the appraisal has a “State Treasury Asset” status and, in relation to the article number 8 of the “Lease and Transfer of Low Forested Areas” law with the number 19/2003, it has been leased to Akfen Real Estate Trade and Construction Inc. for the duration of 49 years. The start and ending dates for the lease, as well as the purpose of the leasing, have been explained in detail in the report.

There are similar leased out Treasury land examples within the “Tourism Development Area”. Considering that the purchase and sale of these lands is out of the question, which have been leased for the duration of 49 years (forty nine) in terms of the independent market conditions, they do not possess current independent market value. The annual lease value is determined by the public agency that is responsible for the leasing.

6.4.1.1 Definitions and Sale Value of the Similar Sales Examples that Has Been Based Upon During the Appraisal and the Reasons Why They Have Been Employed

The land examples found in the same area as the real estate subject to the appraisal, which are for sale, have been provided below. The British Pound is used in Real Estate sales in the KKTC. The examples do not possess similar characteristics with the real estate in question; however, taking into account the previously explained reasons, it has been difficult to provide examples and, therefore, the information provided below is purely for exemplary purposes.

LAND EXAMPLE TABLE

EXAMPLE	Location	Characteristics	Area	Desired Price (£)	Price Unit per Dunam (£)	Source
Example 1	Located in the Iskele, Bosphorus area, beachfront	Tourism Zoning Example: 0,35	75 Dunam (100 Dunam according to Turkish measurement)	5.500.000	73.333	VELOCITY ESTATE Mim.Alihan Cihan 0533 843 77 88
Example 2	Located in the Iskele Region, on the road to Bafra, 7km to Bafra	Residential zoning	Various Sizes (according to Cyprus measurements)	19.900 £/Dunam 22.000 £/Dunam 22.400 £/Dunam		NOYANLAR Gülümser Hanım 0392 444 60 60 0533 825 07 74
Example 3	Located in the Iskele / Bafra region	Residential zoning	24 Dunam 2 Furrow (according to Cyprus measurement)	500.000	20.833	QURAL ESTATE 0392 366 02 12 0548 871 11 04
Example 4	Located in the Bafra Tourism Area No connection to the sea.	Land with permit for hotel and casino, 2nd Plot to the coastal line	8 Dunam (according to Cyprus measurement)	2.000.000	250.000	SELECT ESTATE CENAP TURGUT 0533 833 75 74 0548 875 50 74
Example 5	Next to the Nuh'un Gemisi Hotel in the Iskele / Bafra Region, beachfront	Exempt from the decree, suitable for hotel construction	22 Dunam (according to Cyprus measurement)	2.200.000	100.000	EMLAK ESTATE 0392 365 05 42 0548 850 05 42
Example 6	Located in the Bafta Tourism region, 600m to the sea, in front of the Kaya Artemis Hotel	Land suitable for villa construction	Various	~44.900 £/Dunam		EMLAK EXTRA Emre ŞAHİN 0533 828 46 28

-In this appraisal study, the 30.12.2014 dated exchange rates of the Central Bank of Turkey have been used. 1 British Pound (GBP) = 3,5961 TL, 1 Euro = 2,8207 TL.



- As a result of the inspections performed, it has been noted that many Treasury lands with similar characteristics and structuring conditions to those of the plot subject to the appraisal have been leased for long term durations, for the purpose of “Tourism Facility Investments”; however, an inertia period has been observed, as many of the projects concerning these lands have not been developed and the investments have been left unfulfilled.
- Since these allocated lands in question cannot be purchased-sold or their lease agreements transferred in the independent market, the real estate does not have an exemplary value.
- A more accurate and realistic appraisal of the current Market Value of the real estate will be possible through the use of the Revenue Discount Approach only when a project is realized on the plot. It is possible to develop a hotel project, in terms of zoning conditions; nevertheless, the revenue sharing models and structuring conditions in the KKTC are different from those in Turkey. Conforming to the information obtained from Akfen GYO, there currently are no projects developed on the land. For this reason, we could not perform the conversion from the project development method to land value. The exemplary comparison method has been the only method employed to determine a value.
- In spite of all these negative factors, by taking into account the residentially zoned and up for sale examples, it has been concluded that the full ownership value of the land value of the plot subject to this appraisal report could be of 22.000€ / KKTC Dunam.
- 1/3 of the unit price per dunam of the land value has been determined as bare ownership and 2/3 as the right of construction (lease right for the duration of 49 years).
- The total lease right for the duration of 49 years has been calculated by comparing the remaining lease duration, on the date that this report has been prepared, to the total duration time and determining the value of the right of construction. **According to this;**

Price per Unit Land Value of the Remaining Time for the Right of Construction*	6.040 TL
Size of the Land	629,0 m ²
Total Land Value (TL)	3.799.205 TL
Total Land Value (Euro)	1.346.901 €

Unit Land Value	10.000 TL
Right of Construction Value Rate	2/3
Remaining Time for Right of Construction (YEARS)	44,39
Price per Unit Land Value of the Remaining Time for the Right of Construction *	6.040 TL

* When the remaining time value resulting from the right of construction of the land is calculated, for the right of construction value of the land, it has been employed as 2/3 at the first step. Afterwards, the remaining time from the right of construction is calculated in order to determine the current unit value of the land for the right of construction.

Unit Land Value of the Remaining Time for the Right of Construction	=(Unit Land Value x The coefficient of the right of construction for 49 years x The remaining time from the right of construction)
Unit Land Value of the Remaining Time for the Right of Construction	=(10.000 TL x 2/3 x 44,39 /49)

Professional Opinion of the Appraiser:

With regard to the real estate subject to this appraisal, the project that has been pledged by Akfen Gayrmenkul Ticareti ve İnşaat A.Ş. within the scope of the lease agreement has not yet started to be developed, within the time frame specified in the agreement, even though the lessee has requested 2 time extensions, in order to obtain the required “planning approval, incentive document and construction permit” from the related agencies. The latest time extension that has been granted with the 4th Additional Agreement has expired as of 31.10.2014. If a new “5th Additional Agreement” is not prepared for a new time extension, with regard to the one that has expired, the lease agreement will become void. It is not possible to sell or transfer the lease rights of the land subject to the appraisal, which has been leased for the duration of 49 years, to 3rd parties within the scope of the independent market conditions.

Jointly with all these negative factors, other positive factors have been taken into account, such as the fact that the plot subject to the appraisal is situated in the region that has been declared as a “Tourism Development Area”, that a definitive planning approval with the approval number 2013 BAF 11, valid until the date of 26.12.2016, has been obtained from the KKTC Ministry of Internal Affairs City Planning Department, that the land lease amount pertaining to the 30.12.2014 – 29.12.2015 period has been paid, that the surface area is suitable for a multiple zoning right for the purpose of tourism facility, that it is the 1st plot to the coast line with a façade of 350m, the formation of its surroundings, that it is situated in an area that is open for development; furthermore, by considering the exemplary values in regards to the real estates in the vicinity, the **value of 1 Dunam has been determined to be of 22.000£** according to the KKTC measurement units (Real Estates prices in the KKTC are determined by using the British Pound); **this value is later converted to Euro and Turkish Lira**, to calculate the land value of the remaining lease right (construction right) of the 49 years lease agreement.



6.4.2 Cost Approach

The Cost Approach method has not been employed in this appraisal study. The abandoned buildings currently on the plot have not been included in this appraisal study, on the grounds that they will be demolished in the project development stage by Akfen Real Estate Trade and Construction Inc.

6.4.3 Cost Discount / Development Approach

This method has not been employed since no project has been developed nor any information, project documents, construction permit, etc, have been sent by AKFEN Gayrimenkul Ticarreti ve İnşaat A.Ş. to our company.

6.4.4 Value of the Real Estate with Regard to the Lease Revenue

Lease Revenue is out of the question, considering that there are no developed projects on the real estatesubject to the appraisal by Akfen Real Estate Trade and Construction Inc.

6.4.5 Lease Value Analysis and Taxes Employed

Lease Value Analysis has not been employed in this appraisal study.

6.4.6 Empty Land and Project Values of the Terrain Where the Project is Being Developed

This method has not been employed since no project has been developed nor any information, project documents, construction permit, etc, have been sent by AKFEN Gayrimenkul Ticarreti ve İnşaat A.Ş. to our company.

6.4.7 Most Effective and Most Productive Use Analysis

The real estatesubject to the appraisal is not being effectively or productively operated in its current condition. It has been evaluated that, in the event that the touristic facility project is developed as it had been pledged in the lease agreement, it will be effectively and productively operated.

6.4.8 Appraisal Analysis of Common or Divided Parts

Common or Divided areas on the plot subject to the appraisal are out of the question.



7 APPRAISAL OF ANALYSIS RESULTS

7.1 Alignment of Different Appraisal Methods and Analysis Results, together with the Explanation of the Method and the Reasons Used for this Purpose

The real estate subject to the appraisal has a “State Treasury Asset” status and, in relation to the article number 8 of the “Lease and Transfer of Low Forested Areas” law with the number 19/2003, it has been leased to Akfen Real Estate Trade and Construction Inc. for the duration of 49 years. The start and ending dates for the lease, as well as the purpose of leasing, have been explained in detail in the report.

There are similar leased out Treasury land examples within the “Tourism Development Area”. Considering that the purchase and sale of these lands is out of the question, which have been leased for the duration of 49 years (forty nine) in terms of the independent market conditions, they do not possess current independent market value. The annual lease value is determined by the public agency that is responsible for the leasing.

As a result of the inspections performed, it has been determined that many of these lands that have been allocated through the use of a long term lease agreement, for the purpose of “Tourism Facility Investment”, still have not had their projects developed or the investments fulfilled; moreover, it has been noted that there is a certain inertia in the area. Since the allocated lands in question cannot be purchased-sold or their lease agreements transferred in the independent market, the real estate does not have an exemplary value.

For an accurate and realistic appraisal of the current market value of the immovable, the use of the Revenue Discount/Development Approach in the case of a development on the plot, together with the Exemplary Comparison Approach, will yield the best results. However, since the calculation of the revenue sharing models and structuring conditions utilized in the KKTC differ from those in Turkey, the development approach has not been employed. Moreover, according to the information obtained from Akfen GYO, there are currently no projects being developed on the land. For this reason, we could not perform the conversion from the project development method to land value. The exemplary comparison method has been the only method employed to determine a value.

In spite of all these negative factors, the examples that have residential and touristic zoning in the area have been taken into account throughout the value appraisal. (Real Estate pricings are based on the British Pound in the KKTC)

It has been concluded that the full ownership value of the land value of the plot subject to this appraisal report could be of 22.000€ / KKTC Dunam. 1/3 of the unit price per dunam of the land value has been



determined as bare ownership and 2/3 as the right of construction (lease right for the duration of 49 years).

The total lease right for the duration of 49 years has been calculated by comparing the remaining lease duration, on the date that this report has been prepared, to the total duration time and determining the value of the right of construction.

7.2 Explanation of the Motives Pursuant to the Minimum Information for Not Including Certain Aspects in the Report

There is no information that has not been included in the minimum information.

7.3 Information Concerning the Last Three Appraisal of the Real Estate Carried Out by the Company

There have not been any other appraisal studies performed by our company, with regard to the real estates subject to this appraisal analysis.

7.4 Opinion Whether There is Any Obstacle in Including the Real Estate, the Real Estate Project and the Rights and Benefits With Regard to the Real Estate in the Real Estate Investment Trusts Portfolio within the Scope of the Capital Market Legislation

The legal process with regard to the project that is being developed with the 30.12.2010 dated lease agreement, between Akfen Real Estate Trade and Construction Inc. and the KKTC Forest Department Directorate, in relation to the land and the detailed information concerning this process, has been provided under the article 5.2.3 of this report.

The Real Estate subject to this appraisal study consists of a “Forest” quality real estate, situated in the city of Gazımağusa, district of Iskele, township of Bafra, with the Plan No: 1, Section No: XVI, Plot no: 23/2/1 + 23/4, of which the “right of construction” has been allocated on behalf of Akfen Real Estate Trade and Construction Inc. for the duration of 49 years; moreover, in terms of “**land registry**” and “**zoning information**”, it is suitable to be included in the Real Estate Investment Trusts portfolio, within the scope of the Capital Market Board regulations.

The “Right of Construction” for the real estate in question belongs to Akfen Real Estate Trade and Construction Inc. for the duration of 49 years; it has been noted that while Akfen Real Estate Investment Trust Inc. had the 99986% of the shares of Akfen Real Estate Trade and Construction Inc. (the 31.03.2013 dated Ordinary Meeting of the General Assembly List of Participants has been enclosed herein) and on the date of 10.12.2014 the remaining 0,00014% of its shares had been purchased by Akfen Real Estate Investment Trust Inc., possessing 100% of the shares of Akfen Real Estate Trade and Construction Inc. The related notification by the Public Disclosure Platform has been enclosed herein.



According to the Article number 28, paragraph “d” of the Principles Communiqué Regarding Real Estate Investment Trusts of the Capital Market Board;

Real Estate Investment Trusts can join in companies that are founded in Turkey and make up at least 75% of the total assets of the values of the rights based on the real estate or real estates, which are included in the financial tables of the company that is going to be joined in.

Pursuant to the paragraphs “l” and “n” of the aforementioned Article, real estate investment trusts cannot have more than 5% of the capital or the voting right in any company. The total sum of the total assets for the trusts, within the scope of this paragraph, cannot exceed more than 10%. Aside from the investment funds shares, they cannot invest in capital market vessels that are not dealt with in the stock market or in the organized markets outside of the stock market; it is obligatory that the purchase and sale of the capital market vessels must be executed through Stock Market channels.

However, pursuant to the 2nd clause of the Article number 28 of the aforementioned Communiqué; the “l” and “n” paragraphs of the 1st clause of the Article number 22 of this Communiqué cannot be applied in the investments to participations effected within the scope of this article.

Hereunder, in the participations within the scope of the Article number 28 of the Communiqué in question, companies that are not dealt with in the stock market or in organized markets outside the stock market have been given the opportunity to make an investment; moreover, with regard to the investments in these companies, it has been allowed that the capital and voting rights can exceed the 5% limit, as well as granting permission for the total assets to exceed 10%.

For this reason, there are no obstacles for the 69,99% shares of Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. to belong to Akfen Real Estate Investment Trust Inc. and included in the portfolio of the Real Estate Investment Trust.

Nevertheless, on account of the issue of “Value of the rights based on the real estate or real estates making up at least 75% of the total assets that are in the financial table of the company that will be joined in” being outside the scope of this appraisal study, there have been no studies made concerning the compliance with this provision.



8 OUTCOME

8.1 The Concluding Sentence of the Appraiser

I hereby agree with the effective and productive use analysis of the appraiser, together with all of the aspects mentioned in the report.

8.2 Final Appraisal

The totality of the characteristics that can affect the value of the immovable, such as the location, the style of formation of its surroundings, the infrastructure and means of transportation, façades looking over to the avenue and street, the area and its position, the fact that it is situated within an area designated as a Tourism Development Area and possessing a multiple zoning right, have all been carefully taken into account. In addition, a detailed market research has been conducted in the area. Correspondingly, the value of the remaining time of the right of construction agreement has been presented in the following chart.

As of the date of 31.12.2014

	Market Value of the Remaining Construction Right of the Real Estate (EURO)	Market Value of the Remaining Construction Right of the Real Estate (TL)
VAT Excluded	8.127.000	2.881.000
VAT Included	9.590.000	3.400.000

- 1-) The appraised value is the current value regarding the cash sale price.
- 2-) The VAT ratio has been established at 18%.
- 3-) The currency rates have been established at 1 EUR = 2,8207 TL; 1 GBP = 3,5961 TL
- 4-) This report has been prepared within the scope of the related Capital Market Legislation.

Hamdi ARIKAN

Certified Appraiser

Dilek YILMAZ AYDIN

Certified Appraiser

Neşecan Çekici

Responsible Appraiser



9 APPENDIX

1. Land Registry and Cadastral Office of State Treasury Asset Lease Document
2. Construction Right Agreement and Additional Agreements
3. Name Change Document
4. Asset Inspection Document of the Immovable
5. Zoning Status Document
6. Time Extension Application Letter
7. The 31.03.2013 dated Ordinary Meeting of the General Assembly List of Participants and Public Disclosure Platform Notice
8. Land Lease Payment Collection Receipt for the Period of 30.12.2014 – 29.12.2015
9. Photographs
10. Backgrounds
11. SPK License Samples